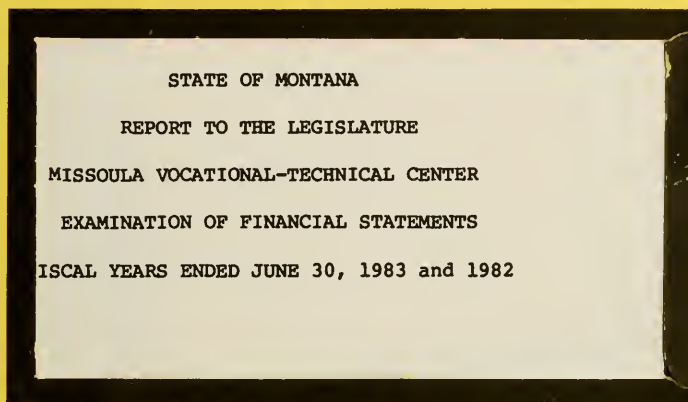


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STATE OF MONTANA
REPORT TO THE LEGISLATURE
MISSOULA VOCATIONAL-TECHNICAL CENTER
EXAMINATION OF FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 1983 and 1982

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122



ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

November 1983

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLET
FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Missoula Vocational
Technical Center for the two fiscal years ended June 30, 1983.

The audit was conducted by Galusha, Higgins and Galusha under a
contract between the firm and our office. The comments and recom-
mendations contained in this report represent the views of the firm
and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robert R. Ringwood".
Robert R. Ringwood
Legislative Auditor

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MISSOULA VOCATIONAL-TECHNICAL CENTER
ELECTED AND ADMINISTRATIVE OFFICIALS

OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION

Ed Argenbright	Superintendent of Public Instruction
Gene Christiaansen	Assistant Superintendent for Vocational Education Services

MISSOULA COUNTY HIGH SCHOOL DISTRICT

Board of Trustees

	<u>Term Expires</u>
Rev. Joe Wahlin	1985
Wilma Nicholson	1984
Harold Sharkey	1984
Ruth Card	1985
Sandra West	1985
David Alt	1986
Patrick Byrne	1986

ADMINISTRATIVE OFFICIALS - SCHOOL DISTRICT

Dr. Dennis Kraft	Superintendent
Joe Roberts	Assistant Superintendent

MISSOULA VOCATIONAL-TECHNICAL CENTER

Dennis Lerum	Director
John Giese	Assistant Director
James Taylor	Business Manager

SUMMARY OF RECOMMENDATIONS

As a separate section in each audit report a listing of all recommendations is included with a notation as to whether the agency concurs or does not concur with the recommendation. This listing summarizes the recommendations contained in the report and the audited agency's reply. This list also provides ready reference to the supporting comments. The full replies of the Missoula Vocational-Technical Center and the Office of Public Instruction (OPI) are included in the back of this report.

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1. The Office of Public Instruction revert all overcollected millage to the state General Fund in accordance with House Bill 500, Laws of 1981. Page 1	
<u>Agency Reply:</u> Concur	22
<u>OPI Reply:</u> Concur	24
2. The center and the Office of Public Instruction work with the school district Board of Trustees to determine the fixed asset accountability responsibility for this property. Pages 1-2	
<u>Agency Reply:</u> Concur	22
<u>OPI Reply:</u> Concur	24
3. The center work with the Department of Administration to eliminate cash restatement receivables and payables within the same fund. Page 2	
<u>Agency Reply:</u> Concur	22
<u>OPI Reply:</u> Concur	24
4. The center work with the Office of Public Instruction to ensure that their fund structure is in accordance with generally accepted accounting principles. Page 3	
<u>Agency Reply:</u> Concur	22
<u>OPI Reply:</u> Concur	24
5. The Office of Public Instruction seek legislation to update or repeal Section 20-7-323 MCA. Page 3	
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6. The center change the SBAS fund classification for the accounting entity noted. Pages 3-4	
<u>Agency Reply:</u> Concur	23
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SUMMARY OF RECOMMENDATIONS
(Continued)

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7. The center reconcile the subsidiary detail ledger to the SBAS control account to ensure proper recording of receivables. Page 5	
<u>Agency Reply:</u> Concur	23
<u>OPI Reply:</u> Concur	25
8. The center ensure all fixed assets are tagged. Page 5	
<u>Agency Reply:</u> Concur	23
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INTRODUCTION

We performed a financial compliance audit of the Missoula Vocational-Technical Center under contract with the Office of the Legislative Auditor. The objectives of the audit were to:

1. Determine if the center's financial statements present fairly its financial position and results of operations for the fiscal years ended June 30, 1983 and 1982;
2. Determine if the center complied with applicable laws and regulations; and
3. Make recommendations for improvement in the management and internal controls of the center.

A report on the center's financial aid programs for fiscal years 1981-82 and 1982-83 will be issued under a separate cover.

The director and staff of the center have indicated to us that they have already complied with some of the report recommendations and that corrective action has been initiated on other recommendations.

We thank the center's director and his staff and the superintendent of schools and his staff for their cooperation and assistance during the audit.

GENERAL FUND REVERSIONS

House Bill 500, enacted by the 1981 Legislature appropriated funds to the state's five vocational-technical centers. This bill requires that "millage received by the centers from the 1.5 mill levy over \$765,101 in fiscal year 1982 and \$804,733 in fiscal 1983 will revert a like amount to the General Fund each year".

To allow for prior year adjustments, reversions are normally made one year after the close of the fiscal year. The distribution by center of the estimated millage of \$765,101 in fiscal 1982 and \$804,733 in fiscal 1983 as compared to actual millage collections by center has not been completed by OPI (Office of Public Instruction) personnel. Thus, as of October 1983, the reversion for fiscal year 1981-82 has not been completed.

RECOMMENDATION

We recommend the Office of Public Instruction revert all overcollected millage to the state General Fund in accordance with House Bill 500, Laws of 1981.

PLANT, PROPERTY, AND EQUIPMENT

In 1982, the Office of Public Instruction adopted the policy that "postsecondary vocational-technical centers shall inventory facilities and equipment in accordance with the Property Accountability Management System (PAMS)". In fiscal year 1982-83, the center fully implemented PAMS for recording its fixed assets.

In 1971, the Missoula Vocational-Technical Center acquired land by donation, valued at \$175,000. The donor contributed \$25,000 in a down payment and three additional payments of \$10,000 each. The donor's contribution totaled \$55,000.

The Missoula County High School District, since 1971, has made monthly payments of \$1,010 on the property. The district has also paid for land improvements totaling approximately \$16,000. The district assumed responsibility for the remaining payments because of the lack of available funds from the center.

Because of the funding issue, center personnel did not include this property on PAMS.

RECOMMENDATION

We recommend the center and the Office of Public Instruction work with the school district Board of Trustees to determine the fixed asset accountability responsibility for this property.

CASH ELIMINATION

During the fiscal year end 1982-83 adjustment period, state agencies continued to pay fiscal year 1982-83 claims. The June 30 cash balance was accordingly reduced.

To avoid cash misstatement as of the balance sheet date, June 30, the Department of Administration established a procedure restating the cash in treasury account for cash used during the fiscal year-end adjustment period. This procedure, as explained in Management Memo 2-83-2, eliminates cash entries by recording an accounts receivable or payable.

Use of this procedure results in the overstatement of certain fund liabilities and assets for transactions between accounting entities within the same fund. Receivables and payables recorded on SBAS were overstated in the Current Unrestricted Fund by \$58,605 and \$1,659 in the Current Restricted Fund. The financial statements have been adjusted for these overstatements. Elimination of cash restatement receivables and payables within the same fund was discussed in the prior audit.

RECOMMENDATION

We recommend the center work with the Department of Administration to eliminate cash restatement receivables and payables within the same fund.

FUND STRUCTURE

To comply with generally accepted accounting principles (GAAP) for vocational-technical centers, the SBAS (Statewide Budgeting and Accounting System) General, Earmarked Revenue, and Federal and Private Revenue Funds should be eliminated from the accounting records. GAAP for vocational-technical centers do not allow for use of these funds. These SBAS funds provide for the initial recording of the center's state appropriation, millage, tuition and federal funds. After initial recording, this revenue is transferred to the center's Current Unrestricted Fund.

Although this issue was discussed in the prior audit report, the recommendation is still valid. Eliminating the center's use of the SBAS General, Earmarked Revenue, and Federal and Private Revenue Funds would provide the center with SBAS financial reporting in compliance with GAAP.

RECOMMENDATION

We recommend the center work with the Office of Public Instruction to ensure that their fund structure is in accordance with generally accepted accounting principles.

BUDGET CATEGORIES

The expenditure categories required by GAAP are Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, Scholarships and Fellowships, Transfers and Auxiliaries.

Expenditures are budgeted according to Section 20-7-323 MCA. The budget categories for postsecondary vocational-technical education, as defined by this statute, include:

1. Maintenance and operations
2. Construction
3. Ancillary services

These budget categories do not conform with GAAP.

As recommended in the prior audit, the Superintendent of Public Instruction should seek legislation to update or repeal the above law to ensure conformity of budget categories with GAAP.

RECOMMENDATION

We recommend the Office of Public Instruction seek legislation to update or repeal Section 20-7-323 MCA.

ACCOUNTING ENTITY RECLASSIFICATION

In July 1982, the National Association of College and University Business Officers (NACUBO) revised its position in accounting for Pell grants. Prior to 1982, Pell grants representing federal financial aid entitlements, were classified as agency funds. Because the institution, rather than the student, receives the federal funds and the federal government does not select the recipient, NACUBO believes Pell grant monies should be classified as restricted funds.

Currently, Pell grant activity is recorded in the SBAS agency fund accounting entity 80015. Because of NACUBO's change in accounting position, the SBAS accounting entity for Pell grants should be changed to a restricted fund.

The financial statements for fiscal years 1981-82 and 1982-83 have been adjusted to reflect the above change.

RECOMMENDATION

We recommend the center change the SBAS fund classification for the accounting entity noted.

INTERNAL CONTROL

We have examined the financial statements of the Missoula Vocational-Technical Center for the fiscal years ended June 30, 1983 and 1982, and have issued our report thereon, dated November 4, 1983. As part of our examination, we made a study and evaluation of the system of internal accounting control of the center to the extent we considered necessary to evaluate this system as required by generally accepted government auditing standards for financial and compliance audits. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

1. Revenues/receipts
2. Payroll
3. Expenditures
4. Cash
5. Accounts receivable
6. Inventory
7. Plant, property and equipment

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of performing the auditing procedures necessary for expressing an opinion on the center's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any other categories of controls identified above.

The management of the Missoula Vocational-Technical Center is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of the system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and cannot be detected. Also a projection of any evaluation of this system to future periods is subject to the risks that procedures may become inadequate because of changes in conditions with the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Missoula Vocational Technical Center

taken as a whole, or on any of the categories of controls identified in the first paragraph. However, our study and evaluations disclosed no condition that we believe to be a material weakness.

OTHER CONTROL WEAKNESSES

We identified the following internal control weaknesses, not disclosed in other report sections which warrant management attention.

1. The accounts receivable subsidiary detail ledger is not reconciled with the Statewide Budgeting and Accounting System (SBAS). This internal control weakness was noted in the prior audit report.
2. From our sample of 46 fixed asset items, tags were not attached to five fixed assets.

RECOMMENDATION

We recommend the center:

1. Reconcile the subsidiary detail ledger to the SBAS control account to ensure proper recording of receivables.
2. Ensure all fixed assets are tagged.

The preceding paragraphs are intended solely for the use of management in the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The last audit of the Missoula Vocational-Technical Center, for the fiscal year ended June 30, 1981, was performed by the Office of the Legislative Auditor. Their report detailed 23 recommendations. The center has implemented or partially implemented 19 of the 23 recommendations. The center or the Office of Public Instruction has not implemented the following recommendations to:

1. Ensure that their fund structure is in accordance with generally accepted accounting principles.
2. Seek legislation to update or repeal Section 20-7-323, MCA. (This law deals with the budget categories for postsecondary vocational-technical education.)
3. Work with Department of Administration to eliminate cash restatement receivables and payables within the same fund.
4. Reconcile the subsidiary detail ledger to the SBAS control account to ensure proper recording of receivables.

These prior period recommendations are discussed on pages 2, 3, and 5.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

GALUSHA HIGGINS & GALUSHA

HELENA, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1699
ARCADE BUILDING
111 NORTH LAST CHANCE GULCH
HELENA, MONTANA 59624
TELEPHONE 406/442-5520

November 4, 1983

The Legislative Audit Committee
of the Montana State Legislature

We have examined the balance sheets of the current funds, plant fund and the agency fund of the Missoula Vocational-Technical Center as of June 30, 1983, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the fiscal years ended June 30, 1983 and 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In 1971, the Missoula Vocational-Technical Center acquired land, by donation, valued at \$175,000. The donor contributed \$55,000 toward the acquisition. Because funds were not available, the school district assumed responsibility for the remaining mortgage payments and property improvements. Because of the funding issue, this property was excluded from being recorded in the plant fund.

In our opinion, subject to the outcome of the decision relating to the property accountability as described in the preceding paragraph, the balance sheets of the current funds, plant fund, the agency fund, the statement of changes in fund balances, and the statement of current funds revenues, expenditures, and other changes present fairly the financial position of such funds of the Missoula Vocational-Technical Center as of June 30, 1983, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the fiscal years ended June 30, 1983 and 1982, in conformity with generally accepted accounting principles consistently applied during the periods, except for the change, with which we concur, in the method of accounting for accrued earned vacation and sick leave as described in Note 5 to the financial statements.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Full-Time Equivalent Students (FTES), Grants, and Reconciling SBAS to the Audited Financial Statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Galusha, Higgins and Galusha

GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

MISSOULA VOCATIONAL-TECHNICAL CENTER
BALANCE SHEET
AS OF JUNE 30, 1983

	CURRENT FUNDS					Plant Fund	Agency Fund
	Unrestricted Funds			Restricted Fund	Auxiliary Fund		
	Unrestricted Fund	Designated Fund	Fund				
ASSETS							
Cash	120,984	34,348	21,660	94,296			13,177
Accounts receivable	57,567	8,072	6,558	20,676			9,618
Due from federal government							24,462
Deferred expenses	16,343						
Loans receivable	14,957	1,765					
Merchandise inventory			30,355				
Land							
Buildings						1,009,640	
Equipment						2,842,232	
Library books						1,493,840	
Other fixed assets						116,010	
TOTAL ASSETS	<u>209,851</u>	<u>44,185</u>	<u>58,573</u>	<u>114,972</u>		<u>5,675,011</u>	<u>47,257</u>
LIABILITIES AND FUND BALANCES							
Accounts payable	92,983	9,880	7,307	22,546			352
Accrued earned vacation and sick leave payable	52,497	5,917	821				
Loans payable		1,766					
Receipts collected in advance	15,862			6,777			
Assets held in trust for others				2,330			
Fund balance	48,509	26,622	50,445	83,319			46,905
Investment in plant						5,675,011	
TOTAL LIABILITIES, RESERVES, INVESTMENT IN PLANT AND FUND BALANCES	<u>209,851</u>	<u>44,185</u>	<u>58,573</u>	<u>114,972</u>		<u>5,675,011</u>	<u>47,257</u>

The footnotes are an integral part of the financial statements.

MISSOULA VOCATIONAL-TECHNICAL CENTER
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	CURRENT FUNDS			PLANT FUNDS	
	Unrestricted Funds			Restricted Fund	Investment in Plant
	Unrestricted Fund	Designated Fund	Auxiliary Fund		
REVENUES AND OTHER ADDITIONS					
Unrestricted current fund revenues	2,235,437	428,659	243,404	145,315	
Local and state appropriations - restricted				80,486	
Fees and tuition - restricted				195,150	
Federal grants and contracts - restricted				239,830	
State grants and contracts - restricted				8,664	
Local grants and contracts - restricted				890	
Private grants and contracts - restricted				670,335	
Total revenues and other additions	<u>2,235,437</u>	<u>428,659</u>	<u>243,404</u>		
EXPENDITURES AND OTHER DEDUCTIONS					
Educational and general expenditures	2,185,364	417,255	234,503	658,604	
Auxiliary enterprise expenditures				15,695	
Indirect costs recovered	<u>50,704</u>	<u>83,016</u>	<u>10,415</u>	<u>6,357</u>	
Expended for equipment				680,656	
Total expenditures and other deductions	<u>2,236,068</u>	<u>500,271</u>	<u>244,918</u>		
Net increase/(decrease) for the year	<u>(631)</u>	<u>(71,612)</u>	<u>(1,514)</u>	<u>(10,321)</u>	
Fund balance at beginning of the year	51,809	101,214	51,808	94,509	5,675,011
Prior period adjustments	<u>(2,669)</u>	<u>(2,980)</u>	<u>151</u>	<u>(869)</u>	
Adjusted fund balance at beginning of the year	<u>49,140</u>	<u>98,234</u>	<u>51,959</u>	<u>93,640</u>	
Fund balance at end of the year	<u>48,509</u>	<u>26,622</u>	<u>50,445</u>	<u>83,319</u>	<u>5,675,011</u>

The footnotes are an integral part of the financial statements.

MISSOULA VOCATIONAL-TECHNICAL CENTER
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	CURRENT FUNDS			
	Unrestricted Funds		Auxiliary Fund	Restricted Fund
	Unrestricted Fund	Designated Fund		
REVENUES AND OTHER ADDITIONS				
Unrestricted current fund revenues	2,069,096	393,442	203,683	203,289
Local appropriations - restricted				69,533
Fees and tuition - restricted				194,485
Federal grants and contracts - restricted				243,853
State grants and contracts - restricted				14,846
Local grants and contracts - restricted				11,900
Private grants and contracts - restricted				737,906
Total revenues and other additions	<u>2,069,096</u>	<u>393,442</u>	<u>203,683</u>	
EXPENDITURES AND OTHER DEDUCTIONS				
Educational and general expenditures	2,030,517	335,450	208,526	647,036
Auxiliary enterprise expenditures				17,307
Indirect costs recovered				8,332
Expended for equipment	<u>47,659</u>	<u>31,495</u>	<u>2,081</u>	
Total expenditures and other deductions	<u>2,078,176</u>	<u>366,945</u>	<u>210,607</u>	<u>672,675</u>
Net increase/(decrease) for the year	<u>(9,080)</u>	<u>26,497</u>	<u>(6,924)</u>	<u>65,231</u>
Fund balance at beginning of the year	60,476	76,392	58,732	46,442
Prior period adjustments	<u>413</u>	<u>(1,675)</u>		<u>(17,164)</u>
Adjusted fund balance at beginning of the year	<u>60,889</u>	<u>74,717</u>	<u>58,732</u>	<u>29,278</u>
Fund balance at end of the year	<u>51,809</u>	<u>101,214</u>	<u>51,808</u>	<u>94,509</u>

The footnotes are an integral part of the financial statements.

MISSOULA VOCATIONAL-TECHNICAL CENTER
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES, AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Unrestricted Funds			Restricted Fund
	Unrestricted Fund	Designated Fund	Auxiliary Fund	
REVENUES				
Tuition and fees	251,470	20,036		80,486
Federal appropriations	190,409			6,414
State appropriations	1,406,897			145,709
Local appropriations	359,158			192,886
Federal grants and contracts	15,047			230,708
State grants and contracts	680			7,878
Local grants and contracts				880
Private gifts, grants, and scholarships		6,148		
Sales and services of educational activities		401,032		
Sales and services of recharge operations				
Sales and services of auxiliary enterprises				
Other	11,776	1,443	243,404	
Total current revenues	<u>2,235,437</u>	<u>428,659</u>	<u>243,404</u>	<u>664,961</u>
EXPENDITURES				
Education and general:				
Instruction	1,242,547	15,739		368,433
Research				9
Academic support	251,767			86,563
Student services	211,987			4,728
Institutional support	181,871			6,414
Operations and maintenance of plan	297,192			3,798
Scholarships and fellowships				183,853
Recharge operations		396,723		1,310
Auxiliary enterprise expenditures			234,503	3,496
Other		4,793		
Total education and general	<u>2,185,364</u>	<u>417,255</u>	<u>234,503</u>	<u>658,604</u>
Expended for equipment	50,704	83,016	10,415	6,357
Total expenditures	<u>2,236,068</u>	<u>500,271</u>	<u>244,918</u>	<u>664,961</u>
Excess of transfers to revenues over restricted receipts				<u>(10,321)</u>
Net increase (decrease) in fund balances	<u>(631)</u>	<u>(71,612)</u>	<u>(1,514)</u>	<u>(10,321)</u>

The footnotes are an integral part of the financial statements.

MISSOULA VOCATIONAL-TECHNICAL CENTER
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES, AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	Unrestricted Funds			Restricted Fund
	Unrestricted Fund	Designated Fund	Auxiliary Fund	
REVENUES				
Tuition and fees	184,220	3,190		69,533
Federal appropriations	319,440			
State appropriations	1,191,645			8,586
Local appropriations	354,977			130,958
Federal grants and contracts				197,474
State grants and contracts	16,266			234,315
Local grants and contracts	1,041			13,772
Private gifts, grants, and scholarships		34,880		730
Sales and services of educational activities		354,114	203,683	
Sales and services of recharge operations		1,258		
Sales and services of auxiliary enterprises		393,442	203,683	655,368
Other	1,507			
Total current revenues	2,069,096			
EXPENDITURES				
Education and general:				
Instruction	1,172,448	8,257		354,524
Research				
Academic support	198,918			78,914
Student services	180,307			9,183
Institutional support	208,258			8,587
Operations and maintenance of plant	270,586			888
Scholarships and fellowships				189,705
Recharge operations		322,783		1,350
Auxiliary enterprise expenditures			208,526	3,885
Other		4,410		
Total education and general	2,030,517	335,450	208,526	647,036
Expended for equipment	47,659	31,495	2,081	8,332
Total expenditures	2,078,176	366,945	210,607	655,368
Excess of restricted receipts over transfers to revenues				
Net increase (decrease) in fund balances	(9,080)	26,497	(6,924)	65,231
				65,231

The footnotes are an integral part of the financial statements.

MISSOULA VOCATIONAL-TECHNICAL CENTER
Notes to the Financial Statements
Fiscal Years Ended June 30, 1983 and 1982

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS).

Basis of Accounting

The financial statements are prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when materials or services are received and revenues are recorded when earned. Revenues and expenditures of an academic term that encompass parts of two fiscal years, such as a summer session, are reported totally within the fiscal year in which the program is predominantly conducted.

Fund Accounting System

The State of Montana accounts are organized utilizing a fund structure outlined in section 17-2-102, MCA. For financial presentation, these funds have been classified in accordance with generally accepted accounting principles.

CURRENT FUNDS

Include economic resources expendable for instruction, research, public service, and the allied support programs which are not restricted by external sources or designated by the governing board for other than operating purposes. Subgroups of the current funds group are as follows:

Unrestricted - funds received for which no stipulation was made by the donor or other external agency as to the purposes for which they should be expended.

Designated - accumulates costs that are subsequently recharged or allocated in total to other subfunds and the resultant income; identifies financial activities related to special organized activities of educational programs wherein they are fully supported, and facilities' fees that are approved for collection beyond normal course fees.

Auxiliary - exists to furnish goods or services to students, faculty, or staff through a fee charged for the cost, although not necessarily equal to the cost of the goods or services. The revenues are derived directly from the operation of the auxiliary enterprise.

Restricted - funds available for financing operations which are limited by donors and other external agencies to specific purposes, programs, departments, or schools.

MISSOULA VOCATIONAL-TECHNICAL CENTER
Notes to the Financial Statements
Fiscal Years Ended June 30, 1983 and 1982

PLANT FUNDS

Plant funds include investment in plant. This fund denotes the cost of long-term institutional assets and related liabilities and equity. Investment in plant assets were initially recorded as of June 30, 1983. Depreciation is not recorded on assets within the investment in plant subgroups.

No activity was recorded by the center in the other plant fund subgroups - unexpended plant, renewal and replacement, and retirement of indebtedness.

AGENCY FUNDS

Includes resources held by the institution as custodian or fiscal agent for individual students, faculty, staff members, and organizations.

Inventories

Assets are normally not recorded for supplies inventory, but are expensed at the time of acquisition.

Merchandise inventory, which consists of bookstore and snackbar items, is valued at FIFO for all goods.

Accounts Receivable

The accounts receivable balance shown on the accompanying balance sheets does not include an allowance for doubtful accounts amount. Based on the past experience of collectibility, the entire amount is recorded as revenue when the accounts receivable is established.

Vacation and Sick Leave

Expenditures are recorded for annual vacation and sick leave costs at the time the leave is earned (See Note 5). Classified or support employees are allowed to accumulate and carryover a maximum of two times their annual accumulation of vacation into 90 days of a new calendar year. Teachers have no vacation, while 12-month administrative employees may not accrue more than 20 days of vacation each fiscal year, 10 of which may be carried forward to the succeeding fiscal year.

Upon termination, qualifying classified and administrative employees having unused accumulated vacation and sick leave are paid 100 percent for vacation and 25 percent for sick leave. The liability amount associated with unused accumulated vacation and sick leave at June 30, 1983 is \$59,235. This figure includes both prior years' liability and the liability incurred in the current reporting period.

MISSOULA VOCATIONAL-TECHNICAL CENTER
Notes to the Financial Statements
Fiscal Years Ended June 30, 1983 and 1982

2. EMPLOYEES' RETIREMENT SYSTEMS

The center's employees are covered by the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The state contributes 6.32 percent of an employee's wages to PERS. From July 1, 1981 to September 30, 1981, the state contributed 6.432 percent of an employee's gross wages to TRS. Effective October 1, 1981, the state's contribution to TRS increased to 6.463 percent. The employee contributed 6 percent and 6.187 percent to PERS and TRS, respectively.

The state's policy is to fund accrued pension costs. At June 30, 1982 the Public Employees' Retirement System was actuarially sound, while the Teachers' Retirement System was actuarially sound at June 30, 1981. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plans employed by the center.

3. BUDGETARY REPORTING

The annual appropriations process for planning and controlling financial operations is set for each fiscal year of the biennium by the Legislature. At the end of each fiscal year the center's unrestricted fund appropriations revert to the fund of original appropriation and may be spent for valid prior year obligations.

Budget amendments may be obtained to spend funds that were not available for consideration by the Legislature but have become available from sources other than the state's General Fund or Earmarked Revenue Fund.

Appropriations of the center were established within the following areas:

1. Personal services
2. Operations
3. Capital expenditures

4. LEASES

The center leases their copy machines. Lease payments are on an annual basis. The center will own the copy machines at the end of the respective lease terms.

The following is a schedule by year of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 1983:

<u>Copy Machines</u>	
1984	\$ 3,315
1985	3,315
1986	<u>2,409</u>
Minimum lease payments	\$ 9,039
Less: amount representing interest	<u>1,001</u>
Present value of net minimum lease payments	<u>\$ 8,038</u>

MISSOULA VOCATIONAL-TECHNICAL CENTER
Notes to the Financial Statements
Fiscal Years Ended June 30, 1983 and 1982

5. ACCRUED EARNED VACATION AND SICK LEAVE

Prior to fiscal year 1981-82, the monetary value for vacation and sick leave was not calculated until an employee terminated. In accordance with generally accepted accounting principles in accounting for compensated absences, such costs are being accrued and expensed in the year in which the employee benefit arises. The financial statements have been adjusted to reflect this accrual and related expenditure. As of June 30, 1983 and 1982, the liability for accrued earned vacation and sick leave is \$59,235 and \$51,432 respectively. This liability represents 100% of the accrued vacation and 25% of the accrued sick leave earned by the employee as of June 30. The cumulative effect of such accounting change on years through fiscal year 1981-82 amounted to \$51,432. This amount is recorded as an expenditure on the statement of current funds revenues, expenditures and other changes for the fiscal year ending June 30, 1982.

6. LITIGATION

There are various legal proceedings and claims against the center which have arisen from the August 1981 teachers' strike. Based on the information available to management and counsel at this time, it appears the ultimate disposition of these legal proceedings and claims should not have material adverse effect on the financial statements of the center.

MISSOULA VOCATIONAL-TECHNICAL CENTER
 SCHEDULE OF FULL-TIME EQUIVALENT STUDENTS (FTES) *
 FISCAL YEARS ENDED JUNE 30, 1983 AND 1982

FISCAL YEAR 1982-83					
QUARTER	<u>Year</u>	<u>Number of Instruction Days</u>	<u>Number of Students</u>	<u>Reported Contact Hours</u>	<u>FTES Reported</u>
Summer	1982	54	71	25,325	101
Fall	1982	59	592	189,828	759
Winter	1983	60	544	185,220	741
Spring	1983	59	509	158,910	636

FISCAL YEAR 1981-82					
QUARTER	<u>Year</u>	<u>Number of Instruction Days</u>	<u>Number of Students</u>	<u>Reported Contact Hours</u>	<u>FTES Reported</u>
Summer	1981	No Summer Session Due to Labor Dispute			
Fall	1981	57	581	176,288	705
Winter	1982	57	599	188,090	752
Spring	1982	57	573	183,118	732

*These schedules were prepared using 250 student contact hours. The 333 student contact hours requirement became effective July 1, 1983.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF GRANTS
FISCAL YEAR ENDED JUNE 30, 1983

GRANT NAME AND NUMBER	<u>Authority</u>	<u>Total Expenditures</u>	<u>Total Revenues</u>	<u>Cash</u>
English as a Second Language				
Grant #83-0028-0032	<u>35,000</u>	<u>29,893</u>	<u>31,630</u>	<u>2,611</u>
Total	<u>35,000</u>	<u>29,893</u>	<u>31,630</u>	<u>2,611</u>
Adult Basic Education - Federal				
Grant #83-56-6103-0122	<u>43,940</u>	<u>43,936</u>	<u>43,940</u>	<u>124</u>
Local match	<u>13,984</u>	<u>13,983</u>	<u>13,984</u>	
Total	<u>57,924</u>	<u>57,919</u>	<u>57,924</u>	<u>124</u>
Adult Basic Education - State				
Grant #83-56-6103-0595	<u>14,988</u>	<u>14,890</u>	<u>14,988</u>	<u>1,448</u>
Local match	<u>3,926</u>	<u>4,002</u>	<u>3,926</u>	<u>278</u>
Total	<u>18,914</u>	<u>18,892</u>	<u>18,914</u>	<u>1,726</u>
CETA* World of Work				
Grant #3202	<u>67,408</u>	<u>16,002</u>	<u>14,156</u>	
Grant #3302	<u>69,507</u>	<u>49,494</u>	<u>52,504</u>	<u>4,695</u>
Total	<u>136,915</u>	<u>65,496</u>	<u>66,660</u>	<u>4,695</u>
CETA* Basic Education				
Grant #2202	<u>25,449</u>	<u>12,207</u>	<u>11,029</u>	
Grant #2302	<u>42,364</u>	<u>27,572</u>	<u>31,816</u>	<u>5,039</u>
Total	<u>67,813</u>	<u>39,779</u>	<u>42,845</u>	<u>5,039</u>
Adult Education - Apprenticeship				
Grant #A13A, A130B	<u>18,351</u>	<u>6,655</u>	<u>6,661</u>	<u>12</u>
Total	<u>18,351</u>	<u>6,655</u>	<u>6,661</u>	<u>12</u>
Prevocational Pilot				
Grant #82-6103-03-20-17-0308	<u>30,508</u>	<u>19,170</u>	<u>6,957</u>	
Grant #83-6103-03-20-17-0235	<u>22,524</u>	<u>22,207</u>	<u>22,170</u>	<u>505</u>
Total	<u>53,032</u>	<u>41,377</u>	<u>29,127</u>	<u>505</u>
EDP Development	<u>2,460</u>	<u>2,460</u>	<u>2,460</u>	<u>35</u>
Total	<u>2,460</u>	<u>2,460</u>	<u>2,460</u>	<u>35</u>
TOTAL ALL GRANTS	<u>390,409</u>	<u>262,471</u>	<u>256,221</u>	<u>14,747</u>

*CETA (Comprehensive Employment Training Act)

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF GRANTS
FISCAL YEAR ENDED JUNE 30, 1982

GRANT NAME AND NUMBER	<u>Authority</u>	<u>Total Expenditures</u>	<u>Total Revenues</u>	<u>Cash</u>
English as a Second Language				
Grant #81-0028-0032	85,835	36,441	28,349	
Grant #82-0028-0033	40,000	39,714	39,450	37
Total	<u>125,835</u>	<u>76,155</u>	<u>67,799</u>	<u>37</u>
Adult Basic Education - Federal				
Grant #82-56-6103-0104	51,143	51,122	51,143	185
Local match	13,885	13,884	13,885	50
Total	<u>65,028</u>	<u>65,006</u>	<u>65,028</u>	<u>235</u>
Adult Basic Education - State				
Grant #82-56-6103-0445	15,663	15,375	15,663	445
Local match	2,431	2,389	2,431	66
Total	<u>18,094</u>	<u>17,764</u>	<u>18,094</u>	<u>501</u>
CETA* World of Work				
Grant #3102	33,824	5,887	2,767	
Grant #3202	67,408	50,155	52,000	2,025
Total	<u>101,232</u>	<u>56,042</u>	<u>54,767</u>	<u>2,025</u>
CETA* Individual Referral				
Grant #1104	43,188	11,209	6,110	133
Total	<u>43,188</u>	<u>11,209</u>	<u>6,110</u>	<u>133</u>
CETA* Basic Education				
Grant #2102	25,912	6,587	2,351	
Grant #2202	25,449	12,822	14,000	1,345
Total	<u>51,361</u>	<u>19,409</u>	<u>16,351</u>	<u>1,345</u>
Adult Education - Apprenticeship				
Grant #A130A, A136	14,943	10,680	10,674	(6)
Total	<u>14,943</u>	<u>10,680</u>	<u>10,674</u>	<u>(6)</u>
Prevocational Pilot				
Grant #82-6103-03-20-17-0308	30,508	10,668	22,881	12,885
Total	<u>30,508</u>	<u>10,668</u>	<u>22,881</u>	<u>12,885</u>
TOTAL ALL GRANTS	<u>450,189</u>	<u>266,933</u>	<u>261,704</u>	<u>17,155</u>

*CETA (Comprehensive Employment Training Act)

MISSOULA VOCATIONAL-TECHNICAL CENTER
 SCHEDULE RECONCILING SBAS TO
 THE AUDITED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1983

FUND AND ACCOUNT DESCRIPTION	SBAS Amount	Adjustment Increase (Decrease)	Financial Statement Amount
<u>Unrestricted Fund</u>			
Cash	7,426	113,558	120,984
Accounts receivable	144,883	(87,316)	57,567
Loans receivable	11,729	3,228	14,957
Accrued earned vacation and sick leave payable		52,497	52,497
Accounts payable	180,362	(87,379)	92,983
Expenditures:			
Instruction	1,242,185	362	1,242,547
Academic support	251,106	661	251,767
Student services	212,618	(631)	211,987
Institutional support	180,928	943	181,871
Operation and maintenance of plant	292,100	5,092	297,192
Fund balance	(15,843)	64,352	48,509
<u>Designated Fund</u>			
Expenditures:			
Recharge operations	395,677	1,046	396,723
Accrued earned vacation and sick leave payable		5,917	5,917
Fund balance	32,539	(5,917)	26,622
<u>Auxiliary Fund</u>			
Accounts payable	7,244	63	7,307
Accrued earned vacation and sick leave payable		821	821
Expenditures:			
Auxiliary enterprise expenditures	234,173	330	234,503
Fund balance	51,329	(884)	50,445
<u>Restricted Fund</u>			
Cash	97,482	(3,186)	94,296
Accounts receivable	22,335	(1,659)	20,676
Accounts payable	24,206	(1,659)	22,547
Loans payable	9,963	(3,186)	6,777
State appropriation revenue		6,416	6,416

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE RECONCILING SBAS TO
THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

FUND AND ACCOUNT DESCRIPTION	SBAS Amount	Adjustment Increase (Decrease)	Financial Statement Amount
<u>Unrestricted Fund</u>			
Expenditures:			
Instruction	1,167,954	4,494	1,172,448
Academic support	184,119	14,799	198,918
Student services	176,536	3,771	180,307
Institutional support	192,301	15,957	208,258
Operation and maintenance of plant	263,537	7,049	270,586
Prior period adjustments	(26,647)	27,060	413
Fund balance	97,879	(46,070)	51,809
<u>Designated Fund</u>			
Expenditures:			
Recharge operations	317,912	4,871	322,783
Fund balance	106,085	(4,871)	101,214
Prior period adjustments	2,327	(4,002)	(1,675)
<u>Auxiliary Fund</u>			
Expenditures:			
Auxiliary enterprise expenditures	208,035	491	208,526
Fund balance	52,299	(491)	51,808
<u>Restricted Fund</u>			
Revenues and othe additions:			
State appropriations		8,586	8,586
Prior period adjustments	(33,443)	16,279	(17,164)



Missoula Vocational Technical Center

- *Post Secondary Vocational Technical Education*
 - *Adult Continuing Education*
 - *Community Service*
-

Phone (406) 721-1330

909 South Avenue West

Missoula, Montana 59801

November 17, 1983

Ms. Gayle Moon, C.P.A.
Galusha, Higgins and Galusha
PO Box 1699
Helena, Montana 59924

Dear Ms. Moon:

Enclosed is our response to the audit report prepared by your office for Missoula Vocational Technical Center for fiscal years ended June 30, 1982 and 1983.

Center personnel express their appreciation to you and your staff for a professional and cooperative effort. Your comments and suggestions will be beneficial to the future operation of the Missoula Vocational Technical Center.

Sincerely,

Dennis Lerum
Director

kjs

enclosure

MISSOULA VOCATIONAL TECHNICAL CENTER
RESPONSE TO AUDITOR'S RECOMMENDATIONS
FOR FISCAL YEARS ENDED JUNE 30, 1982 AND 1983

Recommendation #1--General Fund Reversions. We recommend the Office of Public Instruction revert all over-collected millage to the state General Fund in accordance with House Bill 500, Laws of 1981.

Response

We concur. This is an Office of Public Instruction responsibility. Center personnel have and will continue to cooperate with the Office of Public Instruction on this matter.

Recommendation #2--Plant, Property and Equipment. We recommend the Center and the Office of Public Instruction work with the school district Board of Trustees to determine the fixed asset accountability responsibility for this property (Homevale Addition). Note: parentheses added.

Response

We concur. All property designated by the Missoula County High School for use by the Missoula Vocational Technical Center should be entered on the State Property Accountability Management System. A resolution passed by the Board of Trustees on January 5, 1982, acknowledges the property in question was donated for use by the Center. The resolution further states that if the property is sold or traded, other District property will be made available to the Center. Clarification of which property should be entered on the State Property Accountability Management System will be sought from the Board of Trustees.

Recommendation #3--Cash Elimination. We recommend the Center work with the Department of Administration to eliminate cash restatement receivables and payables within the same fund.

Response

We concur. The Center has followed procedure established by the Department of Administration. Any change in procedure would have to be initiated by the Department of Administration.

Recommendation #4--Fund Structure. We recommend the Center work with the Office of Public Instruction to ensure that their fund structure is in accordance with generally accepted accounting principles.

Response

We concur. This procedure was originally developed by the Department of Administration and the Office of Public Instruction. If the Department of Administration and the Office of Public Instruction are willing to alter the existing procedure, Center personnel are willing to cooperate.

Recommendation #5--Budget Categories. We recommend the Office of Public Instruction seek legislation to update or repeal Section 20-7-323 MCA.

Response

We concur. A consolidation of all laws relating to the post-secondary centers is currently under study as a result of House Joint Resolution 46.

Recommendation #6--Accounting Entity Reclassification. We recommend the Center fund classification for the accounting entity noted.

Response

We concur. Center personnel will initiate the recommended change.

Recommendation #7--Other Control Weaknesses. We recommend the Center:

1. Reconcile the subsidiary detail ledger to the SBAS control account to ensure proper recording of receivables.
2. Ensure all fixed assets are tagged.

Response

We concur. Center personnel will reconcile accounts receivable monthly and will attach all inventory tags not currently in place.



OFFICE OF PUBLIC INSTRUCTION

STATE CAPITOL
HELENA, MONTANA 59620
(406) 449-3095

Ed Argenbright
Superintendent

November 14, 1983

Ms. Gayle Moon
Galusha, Higgins & Galusha
Certified Public Accountants
P.O. Box 1699
Arcade Building
111 North Last Chance Gulch
Helena, Montana 59624

Dear Ms. Moon:

This response is prepared in consideration of audit report for the Missoula Vocational Technical Center financial statements for fiscal years 1982 and 1983.

Recommendation: The Office of Public Instruction revert all over-collected millage to the state general fund in accordance with HB 500, Laws of 1981.

Response: Concur.

Recommendation: The Office of Public Instruction work with the school district Board of Trustees to determine the fixed asset accountability responsibility for this (land) property. Note: parentheses added.

Response: Concur. The land value should be entered as part of the state PAMS inventory process.

Recommendation: The Center work with the Department of Administration to eliminate cash restatement receivables and payables within the same fund.

Response: Concur.

Recommendation: The Center work with the Office of Public Instruction to ensure that their fund structure is in accordance with generally accepted accounting principles.

Response: Concur.

Ms. Gayle Moon
November 14, 1983
Page Two

Recommendation: The Office of Public Instruction seek legislation to update or repeal Section 20-7-323 M.C.A.

Response: Concur. A complete consolidation of post-secondary center laws is currently under study in concert with HJR 46.

Recommendation: The Center change the SBAS fund classification for the accounting entity noted.

Response: Concur.

Recommendation: The Center

1. Reconcile the subsidiary detail ledger to the SBAS control account to ensure proper recording of receivables;

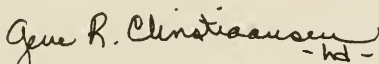
Response: Concur.

2. Ensure all fixed assets are tagged.

Response: Concur.

The Office of Public Instruction wishes to acknowledge the professional manner in which the reports were developed.

Sincerely,

A handwritten signature in cursive script that reads "Gene R. Christiaansen". Below the signature, the letters "hd" are written.

GENE R. CHRISTIAANSEN
Assistant Superintendent
Department of Vocational Education Services

hd

xc: T. Chesbro
D. Lerum
D. Kraft
E. Argenbright
W. Anderson

